

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

|   |   |  |                      |
|---|---|--|----------------------|
| (1) DEPARTMENT<br>Public Works  | (2) MEETING DATE<br>6/4/2013                        | (3) CONTACT/PHONE<br>Will Clemens, Department Administrator<br>(805) 781-5299  |                      |
| (4) SUBJECT<br>Submittal of a resolution for approval of Certificates of Participation (COP) financing documents to fund the County Service Area (CSA) 10A Water System Improvement Project for Cayucos. District 2.  |   |  |                      |
| (5) RECOMMENDED ACTION<br>It is our recommendation that your Honorable Board: <ol style="list-style-type: none"> <li>1. Approve the attached resolution relating to the Certificates of Participation for the County Service Area 10A Water System Improvement Project; and</li> <li>2. Adopt the USDA RUS Bulletin 1780-27 Loan Resolution.</li> </ol> |   |  |                      |
| (6) FUNDING SOURCE(S)<br>CSA 10A Cayucos Water Rates  | (7) CURRENT YEAR FINANCIAL IMPACT<br>\$1,621,000.00 | (8) ANNUAL FINANCIAL IMPACT<br>\$80,000.00 Estimated Debt Service  | (9) BUDGETED?<br>Yes |
| (10) AGENDA PLACEMENT<br><input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____ ) <input checked="" type="checkbox"/> Board Business (Time Est. <u>5 mins</u> )  |   |  |                      |
| (11) EXECUTED DOCUMENTS<br><input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A  |   |  |                      |
| (12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)<br>N/A  |   | (13) BUDGET ADJUSTMENT REQUIRED?<br>BAR ID Number: N/A<br><input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A |                      |
| (14) LOCATION MAP<br>Attached   | (15) BUSINESS IMPACT STATEMENT?<br>No               | (16) AGENDA ITEM HISTORY<br><input type="checkbox"/> N/A    Date: 4/23/13; Item #1   |                      |
| (17) ADMINISTRATIVE OFFICE REVIEW<br><i>Nikki J. Schmidt</i>  |   |  |                      |
| (18) SUPERVISOR DISTRICT(S)<br>District 2 -   |   |  |                      |

Reference: 13JUN04-BB-1

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works

Will Clemens, Department Administrator

VIA: Paavo Ogren, Director of Public Works

DATE: 6/4/2013

SUBJECT: Submittal of a resolution for approval of Certificates of Participation (COP) financing documents to fund the County Service Area (CSA) 10A Water System Improvement Project for Cayucos. District 2.

## **RECOMMENDATION**

It is our recommendation that your Honorable Board:

1. Approve the attached resolution relating to the Certificates of Participation for the County Service Area 10A Water System Improvement Project; and
2. Adopt the USDA RUS Bulletin 1780-27 Loan Resolution.

## **DISCUSSION**

The Public Works Department has been developing an infrastructure improvement program for the upgrade of County Service Area 10A (CSA 10A) water system for the past few years. These efforts have been accomplished with input from the Cayucos Citizens Advisory Council (CCAC). Water system improvements are necessary to supply the residents of CSA 10A with flows able to meet California Fire Code fire-flow requirements. This project consists of upsizing 3,800 linear feet of selected sections of nonstandard, undersized 4-inch distribution waterlines in Richard Avenue, Stuart Avenue, and Shearer Avenue to 8-inch pipelines as well as the rehabilitation of the existing water tank.

On April 23, 2013, your Board initiated advertisement of the construction bid process for the first phase of this project. This phase will construct the needed waterline improvements. The second phase of the project involves rehabilitating the aging storage tank and is anticipated to take place in the next several years, possibly in conjunction with the construction of a second water tank.

Financing for this project will come from a USDA Rural Development Low-interest Loan in the form of a COP. This type of financing requires utilizing the SLO County Financing Authority (Authority) to enter into agreements with the County. The Authority will actually sell the certificates to the USDA, and enter into a sale/repurchase agreement with the County to complete the funding arrangement – a standard practice for COP.

The recommended action today will authorize County officials to sign documents required to finalize the COP debt issuance. Drafts of the Trust Agreement, Installment Sale Agreement, Purchase Agreement, and the Assignment Agreement are attached.

Today's action approves the documents in their substantially final form. The actual final forms cannot be produced at this time because some of the exact amounts, dates, and other information will not be known until the actual sale date. If the final terms for any reason should fall outside the parameters established by the Authority and the Board of Supervisors, staff will return for further direction before finalizing the transaction. We have no reason to believe that this will occur. The attached letter from Special Counsel, Meyers Nave, summarizes the purposes of the various documents.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

The Debt Advisory Committee endorsed the issuance of COP for this project.

The USDA will purchase the COP and provide grant funding to complete the project.

The Cayucos Citizens Advisory Council has provided invaluable input into the process.

The SLO County Financing Authority will act as an intermediary between the County and the USDA.

County Counsel has reviewed and approved the attached resolution for legal form and effect.

### **FINANCIAL CONSIDERATIONS**

The Authority will act as the intermediary between the County and the USDA that purchases the COP. The Authority then receives installment payments from the County, and uses the proceeds to pay principal and interest on the certificates. Annual payments and reserve requirements are expected to average \$80,000 per year for 40 years. The interest rate is 2.75%.

The County will pay the installment payments to the Authority from water rates collected in CSA 10A. Water rates were successfully increased in February 2012 through a Proposition 218 process in order to provide the revenue needed to make these payments.

### **RESULTS**

Approval of the recommended action will allow staff to issue COP to provide funding for this project. Construction of the system improvements will improve operational and fire flow capabilities and promote a safer, more livable community.

File: Contract No. 300383

Reference: 13JUN04-BB-1

L:\ACCTNG\JUN13\BOS\CSA 10A COP\CSA 10A COP brd ltr.doc.WC:mac

## **ATTACHMENTS**

1. Vicinity Map
2. USDA RUS Bulletin 1780-27 Loan Resolution
3. Trust Agreement
4. Installment Sale Agreement
5. Assignment Agreement
6. Purchase Agreement
7. Letter from Meyers Nave
8. Resolution Relating to the Certificates of Participation for County Service Area 10, Zone of Benefit "A" (CSA 10A) Water System Improvement Project; Approving the Forms of and Authorizing the Execution and Delivery Where Applicable